

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: AVOIDED COSTS	DOCKET NO. INU-2014-0001
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ORDER CLOSING INQUIRY

(Issued August 2, 2016)

On January 14, 2014, Interstate Power and Light Company (IPL), MidAmerican Energy Company (MidAmerican), the Office of Consumer Advocate (OCA), a division of the Iowa Department of Justice, and the Environmental Law and Policy Center, and the Iowa Environmental Council (ELPC/IEC) each filed with the Utilities Board (Board) a request for investigation regarding various aspects of IPL's and MidAmerican's avoided costs.¹ Avoided costs are used as the basis for determining cost-effectiveness of investor-owned utilities' energy efficiency plans and in determining rates paid to qualifying facilities (QF) pursuant to the Public Utilities Regulatory Policies Act of 1978 (PURPA). Avoided costs have been addressed in various dockets, including energy efficiency plan proceedings. Although there was some agreement on some avoided cost issues in those dockets, particularly with respect to avoided costs for energy efficiency purposes, there was no consensus on QF avoided cost issues.

¹Industrial Energy Applications, Inc. (IEA), requested to intervene in the inquiry. Intervenor status was granted to IEA on May 9, 2014.

The topics for the investigation suggested by IPL, MidAmerican, OCA, and ELPC/IEC covered a broad range of potential issues, including the merits of the avoided cost calculation methodologies used by IPL and MidAmerican, the pros and cons of a uniform avoided cost methodology that would apply to energy efficiency and QF rates, the transparency of avoided cost methodologies, and the operation and output of various avoided cost software programs that are available.

The goal of this inquiry was to address the various issues raised about avoided cost methodologies and whether the methodologies need to be consistent across utilities and provide a general understanding about how utilities have developed avoided cost rates. To that end, a workshop was held on June 5, 2014, to allow IPL and MidAmerican an opportunity to provide additional information on the methodologies used.

On June 25, 2014, IPL filed its PURPA compliance filing pursuant to 18 C.F.R. 292.302 and 199 IAC 15.3, which addresses the estimated avoided cost on the electric utility's system with respect to the energy component for various levels of purchases from qualifying facilities. MidAmerican filed its PURPA compliance filing on June 30, 2014. These reports were filed in Docket No. IAC-2014-1503. No comments regarding these avoided cost reports were received from OCA or ELPC.

The Federal Energy Regulatory Commission (FERC) held a technical conference on June 29, 2016, to gather information on two issues associated with avoided cost: the mandatory purchase obligations under PURPA and the

determination of avoided costs for those purchases. Several participants offered presentations, including IPL, but the FERC did not reach a conclusion on the issues.

The Board is currently conducting a comprehensive review of its administrative rules in accordance with Iowa Code § 17A.7(2), which will include a review of 199 IAC 15.3 and 35.9(7).² In addition, IPL and MidAmerican filed proposed revisions to their cogeneration and small power producer tariffs³ with the Board in conjunction with their biennial compliance filings. The proposed tariffs have been docketed for further review.

Based upon the filings of the proposed tariffs, the Board concludes that additional investigation into avoided cost calculations and evaluation of the issues identified in this inquiry would be more appropriately considered in the tariff dockets and through stakeholder comments in the upcoming rule review proceedings.

The primary purpose of this inquiry was to investigate and solicit comments regarding utilities' avoided costs methods and to allow interested parties to review the development and appropriateness of avoided cost rates. That purpose has been achieved. Therefore, the Board will close this inquiry and encourage all interested parties to continue further investigation into the calculation of avoided cost rates by participating in the individual tariff dockets and in the upcoming rule review proceedings.

² Docket Nos. RMU-2016-0006 and RMU-2016-0018 respectively.

³ MidAmerican filed its proposed tariff revision on July 1, 2016. It is identified as TF-2016-0294. IPL filed its proposed tariff revision on June 30, 2016. It is identified as TF-2016-0290.

IT IS THEREFORE ORDERED:

The investigation into avoided costs initiated on April 22, 2014, and identified as Docket No. INU-2014-0001, is closed.

UTILITIES BOARD

/s/ Geri D. Huser

/s/ Elizabeth S. Jacobs

ATTEST:

/s/ Trisha M. Quijano
Executive Secretary, Designee

/s/ Nick Wagner

Dated at Des Moines, Iowa, this 2nd day of August 2016.